



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

To: The Public Service Commission of Utah

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Date: November 13, 2006

Subject: Docket No 06-035-T11: Schedule 91 – Surcharge to Fund Low Income Residential Lifeline Program

1 Background

On October 20, 2006, Rocky Mountain Power (RMP or Company) submitted a revised tariff filing, Surcharge to Fund Low Income Residential Lifeline Program (HELP Program), for Commission approval. In its filing, the Company requested an increase in the monthly surcharge used to fund the Low Income Lifeline Credit in order to provide assistance to all eligible customers. The proposed adjustment would increase collections to approximately \$2.35 million per year and increase the monthly surcharge for residential customers from 10 cents to 13 cents.

In its Advice letter No. 06-13, RMP indicates that over the past year there has been a substantial increase in the number of customers participating in the HELP Program. Due to this increased participation, the monthly low income credit payout has exceeded the monthly surcharge collections by as much as \$60,000 per month. RMP estimates that the account balance will be deficit by the end of the year.

It should also be noted that if the Commission approves the pending revenue requirement and rate spread stipulation in the present rate case, which calls for an average residential rate increase of about 10.2%, the number of low income residential customer seeking

assistance will likely rise.

2 HELP Program History

The HELP Program was first implemented on August 30, 2000, per a Commission Order in Docket No. 00-035-T07. On November 23, 2005, the Commission ordered that the HELP Program be continued and targeted an account balance equal to about three months of surcharge collections. On January 3, 2006, the Commission approved a tariff change reducing the surcharge for residential customers from 12 cents to 10 cents per month. The reduction was predicated on a surplus (and increasing) account balance. The credit available to HELP Program participants remained at \$8.00 per month.

3 Issue

The salient issue is whether the proposed increase in the monthly surcharge complies with the Commission's cost-effectiveness criteria as set forth in its Order in Dockets No. 03-035-01 and 04-035-21, or is otherwise in the public interest.

4 Analysis

The Company provided various cost-benefit analyses supporting its October 20, 2006 filing. The Ratepayer Test (Utility Costs) produces a cost-benefit ratio attributed to the HELP Program (alone) of 0.82. When combining the HELP and HEAT assistance the result increases to 1.05. When applying the Total Resource Cost Test (Utility and Non-Utility Costs) the HELP Program has a cost-benefit result of 1.26; and HELP combined with HEAT assistance produces a cost-benefit result of 1.49. RMP specifically states that "Because the increase in the surcharge is directly correlated with the increase in the number of customers receiving the Schedule 3 Low Income Lifeline Credit, the cost effectiveness of the program remains consistent with that presented to the Commission in Docket 04-035-21 and reflected in its order of November 23, 2005."

In its November 23, 2005 Order, the Commission indicated that the HELP Program (alone) did not pass the Ratepayer Test (Utility Costs) and further stated in those instances when a DSM program fails or barely passes the Ratepayer Test, the Commission requires a program redesign to make it cost effective. At that time, the Commission found that a proposed reduction in the monthly surcharge from 12 cents to 10 cents remedied the "harm" to non-participants and the Ratepayer Test was met.

In its current filing the Company proposes to maintain the existing credit at \$8/month and to raise the monthly surcharge by three cents applied on residential customers' bills so that more eligible low income customers can participate in the HELP Program. The Committee believes that it is important for the Commission to recognize that the \$8 monthly credit will effectively be reduced by roughly \$5.50 (nearly 70%) if the pending revenue requirement and rate design stipulation in the current rate case is approved. Reducing the monthly credit (for example, from \$8/month to \$7/month) to comply with the Ratepayer Test in a time of a sharply increasing electricity rates would amount to poor public policy. The Committee urges the Commission to give greater weight to the evidence provided by RMP that shows the combined HELP-HEAT Programs pass the Ratepayer Test and the HELP

Program (alone) passes the Total Resource Cost Test.

3 Recommendation

The Committee recommends that the Commission approve the Company's requested adjustments to the HELP Program that increase: (1) the total collections to an annual level of \$2.35 million; and (2) the surcharge applied to residential customers' monthly bills from 10 cents to 13 cents.